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S. 1800 - FACT SHEET AND ANALYSIS

This bill establishes a new program administered by the existing Federal Council on the Arts and the Humanities which would indemnify against loss or damage certain art works and artifacts (defined in the bill) brought into this country for an exhibition which is deemed by the Secretary of State or his designee to be in the national interest.

The precedent for this legislation is special legislation enacted in the previous Congress which insured the Chinese archeological exhibition which was brought into this country and insured an exchange of art treasures with the Soviet Union, pledging the full faith and credit of the United States against any loss incurred by either the Chinese government or the museum sending the exhibition to the Soviet Union. The purpose of this bill is to establish a generic piece of legislation covering these types of situations, so that individual ad hoc pieces of legislation will not be necessary for each exhibition.

Under this bill, an applicant for such indemnity would apply to the Federal Council on the Arts and the Humanities, which shall consult with the Secretary of State to determine whether the exhibition is in the national interest. The Council, upon that determination, may issue an indemnity agreement if it agrees with the estimated evaluation of the exhibition suggested by the lending institution.

The extent of indemnity agreements covered by this bill is limited to ~~\$250~~ \$25 million outstanding at any one time, with the amount of indemnity for any single exhibition not to exceed \$25 million. There is also a deductible or a nonindemnifiable portion amounting to the first \$25,000 of loss, which would protect the government from paying for the normal wear and tear which occurs during any exhibition. Should a loss occur to an item covered by this indemnity agreement, the Council would certify such a loss (after agreeing upon the amount of loss, which could involve arbitration by third parties) to the President of the Senate and the Speaker of the House.

It is difficult to estimate the cost of this bill. Certainly there will be certain administrative expenses which will be incurred by the Federal Council, which will become an agency as defined in title V of the U. S. Code for this purpose, with the ability to hire staff, promulgate regulations, and perform other basic house-keeping functions. Theoretically, it could cost up to \$100 million if every item covered by an indemnity agreement were destroyed. However, there has, in the past, been only a minimal amount of loss. Indeed, the hearings showed that 90% of the loss in previous exchanges were losses of less than \$1,000.

Title I of S. 1800, which extends the arts and humanities legislation, and title II, part A, the Museum Services Act, will be considered by the Special Subcommittee on Arts and Humanities in a separate piece of legislation.